

**Financial Statements of the
BOUNTIFUL WATER SUBCONSERVANCY
DISTRICT**

Bountiful, Utah

For the year ended December 31, 2005 and 2004

Including

**Independent Auditor's Reports,
Management's Discussion and Analysis, and
Supplemental Information**

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

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Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bountiful Water Subconservancy District
Bountiful, Utah

We have audited the accompanying statements of financial position of the Bountiful Water Subconservancy District (the "District"), as of December 31, 2005, and the related statements of revenues, expenditures and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Bountiful Water Subconservancy District as of December 31, 2004 were audited by other auditors whose report dated February 10, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bountiful Water Subconservancy District as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and Analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2006, on our consideration of Bountiful Water Subconservancy District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Baird, Rasmussen & Associates, PC

Baird, Rasmussen & Associates, P.C.
January 27, 2006

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Management's Discussion and Analysis (Unaudited) December 31, 2005, 2004 and 2003

As management of Bountiful Water Subconservancy District we present to the readers of our financial statements this discussion and analysis of the District's financial performance for the fiscal years ended December 31, 2005, 2004 and 2003.

FINANCIAL STATEMENTS

The District's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, promulgated by the Governmental Accounting Standards board (GASB). The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

	2005	2004	2003
ASSETS			
Current assets	\$ 5,166,602	\$ 4,743,204	\$ 1,907,032
Capital assets	<u>2,486,665</u>	<u>2,343,596</u>	<u>2,338,975</u>
Total assets	<u>\$ 7,653,267</u>	<u>\$ 7,086,800</u>	<u>\$ 4,246,007</u>
LIABILITIES			
Current liabilities	<u>\$ 102,102</u>	<u>\$ 48,236</u>	<u>\$ 100,333</u>
Total liabilities	<u>102,102</u>	<u>48,236</u>	<u>100,333</u>
NET ASSETS			
Invested in capital assets	2,486,665	2,343,596	2,338,975
Unrestricted	<u>5,064,500</u>	<u>4,776,718</u>	<u>1,806,699</u>
Total net assets	<u>7,551,165</u>	<u>7,120,314</u>	<u>4,145,674</u>
Total liabilities and net assets	<u>\$ 7,653,267</u>	<u>\$ 7,168,550</u>	<u>\$ 4,246,007</u>

Financial Analysis

The increase of approximately \$340,000 in current assets in 2005 as compared to 2004 can be attributed to the interest revenue from the sale of water rights of approximately \$123,000 and an approximate increase in cash and prepaid water costs from normal operations. The increase of approximately \$2,836,000 in assets in 2004 as compared to 2003 can be attributed to the sale of water rights.

The increase of approximately \$143,000 in capital assets in 2005 as compared to 2004 and the increase of approximately \$4,600 in 2004 compared to 2003 are due to the continuing addition, replacement, and improvement of the District's water pipeline distribution system and equipment less the associated depreciation cost of \$188,000 for 2005 and \$183,000 for 2004.

The approximate increase of \$54,000 in current liabilities in 2005 as compared to 2004 is due to accrued compensated absences of approximately \$15,000, for an additional employee eligible for retirement, and accounts payable of \$39,000, including over \$32,000 for liability insurance.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Management's Discussion and Analysis (Unaudited) – Continued December 31, 2005, 2004 and 2003

CHANGE IN NET ASSETS

	2005	2004	2003
Operating revenues	\$ 1,365,499	\$ 1,135,310	\$ 1,106,171
Operating expenses	(1,347,725)	(1,244,962)	(1,129,408)
Operating Loss	<u>17,774</u>	<u>(109,652)</u>	<u>(23,237)</u>
Non-operating revenues	<u>413,077</u>	<u>3,084,292</u>	<u>237,268</u>
Net income	430,851	2,974,640	214,031
Total net assets:			
Beginning of year	<u>7,120,314</u>	<u>4,145,674</u>	<u>3,931,643</u>
End of year	<u>\$ 7,551,165</u>	<u>\$ 7,120,314</u>	<u>\$ 4,145,674</u>

SUMMARY OF REVENUES

	2005	2004	2003
Operating:			
Water assessments	\$ 1,330,737	\$ 1,116,135	\$ 1,081,770
Miscellaneous income	<u>34,762</u>	<u>19,175</u>	<u>24,401</u>
Total Operating	<u>1,365,499</u>	<u>1,135,310</u>	<u>1,106,171</u>
Non-operating:			
Property tax revenues	250,791	256,796	217,524
Interest income	127,781	24,197	19,744
Gain (loss) on sale of assets	<u>34,505</u>	<u>2,803,299</u>	<u>-</u>
Total non-operating	<u>413,077</u>	<u>3,084,292</u>	<u>237,268</u>
Total revenues	<u>\$ 1,778,576</u>	<u>\$ 4,219,602</u>	<u>\$ 1,343,439</u>

The increase of approximately \$230,000 in operating revenue during 2005 as compared to 2004 is due to the increase in water rates assessed to the districts customers. This was the fifth year of a five year plan to bring all customers to an equal payment for equal property plan. Total water delivered in 2005 was 10,832 acre-feet as compared to 10,433 acre-feet the prior year.

The decrease of approximately \$2,670,000 in non-operating revenue during 2005 as compared to 2004 is mainly due to the one time sale of water rights in 2004. The same reason is given for the increase of approximately \$2,836,000 in 2004 compared to 2003.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Management's Discussion and Analysis (Unaudited) – Continued December 31, 2005, 2004 and 2003

SUMMARY OF EXPENSES

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating:			
Direct operating and maintenance	\$ 922,300	\$ 854,885	\$ 760,172
General and administrative	236,483	207,499	195,427
Depreciation and amortization	<u>188,942</u>	<u>182,578</u>	<u>173,809</u>
Total operating expenses	1,347,725	1,244,962	1,129,408
Non-operating	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 1,347,725</u>	<u>\$ 1,244,962</u>	<u>\$ 1,129,408</u>

The increase of approximately \$100,000 in operating expenses during 2005 as compared to 2004 is mainly due to increased insurance costs and legal fees. The increase of approximately \$115,000 in operating expenses during 2004 as compared to 2003 is due to approximate increases in the cost of water of \$95,000, system repairs and maintenance of \$25,000 and payroll and payroll related costs of \$49,000.

CAPITAL ASSET ACTIVITY

During 2005 the District expended approximately \$194,000 on water system rehabilitation. The most significant expenditures were for 1800 South, 900 East, 2150 South, 2100 South Circle and 400 East.

During 2004 the District expended approximately \$149,000 on water system rehabilitation including Davis Boulevard (4th East and 2200 South line relocation) Lake View Drive and Debra Circle (line rehabilitation) and Cassidy Circle (saddle replacements).

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the District Manager, 385 West 500 South, Bountiful, UT 84010.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Statement of Net Assets December 31, 2005 and 2004

<u>ASSETS</u>	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,406,773	\$ 3,206,169
Accounts receivable - sale of water rights	-	931,165
Accounts receivable - property taxes	50,069	38,591
Accounts receivable - water assessments	275,239	247,062
Inventory - construction and maintenance materials	27,516	15,992
Prepaid water	407,005	385,975
Total current assets	<u>5,166,602</u>	<u>4,824,954</u>
PROPERTY AND EQUIPMENT, AT COST		
Pressure irrigation system	5,860,656	5,672,488
Land, building and equipment	<u>907,513</u>	<u>832,752</u>
Total property and equipment	<u>6,768,169</u>	<u>6,505,240</u>
Accumulated Depreciation	<u>(4,281,504)</u>	<u>(4,161,644)</u>
Net property and equipment	<u>2,486,665</u>	<u>2,343,596</u>
Total assets	<u>\$ 7,653,267</u>	<u>\$ 7,168,550</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 39,598	\$ 840
Accrued salaries and wages	14,079	18,139
Accrued payroll taxes and benefits	5,230	302
Accrued compensated absences	<u>43,195</u>	<u>28,955</u>
Total current liabilities	<u>102,102</u>	<u>48,236</u>
NET ASSETS		
Invested in capital assets	2,486,665	2,343,596
Unrestricted	<u>5,064,500</u>	<u>4,776,718</u>
Total net assets	<u>7,551,165</u>	<u>7,120,314</u>
Total liabilities and net assets	<u>\$ 7,653,267</u>	<u>\$ 7,168,550</u>

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Statements of Revenue, Expenses and Changes in Net Assets December 31, 2005 and 2004

	2005	2004
REVENUES		
Water Assessments	\$ 1,330,737	\$ 1,116,135
Miscellaneous income	<u>34,762</u>	<u>19,175</u>
Total Operating Revenues	<u>1,365,499</u>	<u>1,135,310</u>
EXPENSES		
<u>Direct operating and maintenance expenses:</u>		
Cost of Water	385,974	368,157
Payroll, payroll taxes and benefits	385,855	350,826
Depreciation	188,942	182,578
Repairs and maintenance	95,645	84,862
Reservoir use charge	16,555	16,555
Gas and oil	13,510	9,731
Miscellaneous expenses	4,538	8,952
Travel and conventions	8,845	6,497
Safety and other equipment	6,428	5,141
Heat and lights	2,996	2,837
Linen	<u>1,954</u>	<u>1,327</u>
Total direct operating and maintenance expenses	<u>1,111,242</u>	<u>1,037,463</u>
<u>General and administrative expenses:</u>		
Payroll, payroll taxes and benefits	133,743	152,433
Insurance and bonds	61,148	33,517
Accounting and legal	20,609	4,910
Advertising	3,408	3,675
Office supplies	4,724	3,615
Travel and conventions	5,582	2,196
Heat and lights	2,111	2,107
Dues and subscriptions	2,561	1,858
Other	891	1,673
Telephone	<u>1,706</u>	<u>1,515</u>
Total general and administrative expenses	<u>236,483</u>	<u>207,499</u>
Total operating expenses	<u>1,347,725</u>	<u>1,244,962</u>
OPERATING INCOME (LOSS)	<u>17,774</u>	<u>(109,652)</u>
OTHER REVENUES		
Property tax assessments	250,791	256,796
Gain on sale of assets	34,505	2,803,299
Interest on investments	<u>127,781</u>	<u>24,197</u>
Total other revenues	<u>413,077</u>	<u>3,084,292</u>
INCREASE IN NET ASSETS	430,851	2,974,640
BEGINNING NET ASSETS	<u>7,120,314</u>	<u>4,145,674</u>
ENDING NET ASSETS	<u>\$ 7,551,165</u>	<u>\$ 7,120,314</u>

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Statements of Cash Flows December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Water sales	\$ 1,302,560	\$ 1,186,587
Miscellaneous income	34,762	19,175
Payments for purchase of water	(407,004)	(386,839)
Payments to vendors	(225,977)	(264,327)
Payments for salaries, wages and benefits	(504,490)	(485,212)
Net cash provided by operating activities	199,851	69,384
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes collected	239,313	248,265
Net cash provided by noncapital financing activities	239,313	248,265
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to property and equipment	(307,511)	(202,630)
Installment payments received related to disposition of water rights	931,165	1,861,245
Proceeds from disposition of property and equipment	10,005	26,320
Net cash provided by capital and related financing activities	633,659	1,684,935
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	127,781	24,197
Net cash provided by investing activities	127,781	24,197
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,200,604	2,026,781
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,206,169	1,179,388
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,406,773</u>	<u>\$ 3,206,169</u>

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Statements of Cash Flows – Continued December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 17,774	\$ (109,652)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	188,942	182,578
(Increase) decrease in:		
Accounts receivable - water assessments	(28,177)	70,452
Inventory - construction and maintenance materials	(11,524)	(3,215)
Prepaid water	(21,030)	(18,682)
Increase (decrease) in :		
Accounts payable	38,758	(70,144)
Accrued payroll	(4,060)	18,139
Accrued payroll taxes and benefits	4,928	83
Accrued compensated absences	14,240	(175)
Net cash provided by operating activities	<u>\$ 199,851</u>	<u>\$ 69,384</u>
NON-CASH TRANSACTIONS AFFECTING FINANCIAL POSITION		
Gain on sale of assets	\$ 24,500	\$ 915,734

The notes to the financial statements are an integral part of this statement.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements

For the Years Ended December 31, 2005 and 2004

NOTE 1 – SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

History and Business Activities

The Bountiful Water Subconservancy District (the District) was organized in 1954 for the purpose of providing pressurized irrigation (secondary) water to the residents of Bountiful City, Woods Cross City, West Bountiful City and Centerville City.

The District is governed by a five member Board of Directors. Each of the five directors is appointed by the Davis County commission. Members of the Board of Directors serve four-year terms and may be reappointed to an unlimited number of additional terms.

Reporting Entity

Based on the criterion identified in the Governmental Accounting Standards Board Statement No. 17, management has determined that the District is not a component unit of another government; therefore, the District is not reported as a component unit and is not included in its general purpose financial statements of any other government entities.

Basis of Accounting

The District is a governmental unit that is accounted for as a proprietary fund. Proprietary funds involve business/enterprise type activities. The District follows accounting principles generally accepted in the United States of America applicable to a governmental entity, which includes pronouncements of the Governmental Accounting Standards Board ("GASB"). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to follow all Financial Accounting Standards Board ("FASB") Statements, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARB"), issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The District follows the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis—For State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. These statements require governmental entities to provide additional accrual-basis statements and schedules to better communicate the financial status of the governmental entity.

The District's records are maintained on the accrual method of accounting for external reporting purposes. Under this method revenues are recorded when earned and expenses are recognized when they are incurred.

Water Assessments

Water assessment revenues are collected and remitted with property taxes by the Davis County Treasurer as an agent for the District. Assessments are recorded annually when assessment amounts are reported to the County to be included in the current year property taxes.

Property Taxes

Property tax revenues are collected and remitted with water assessments by the Davis County Treasurer as an agent for the District.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2005 and 2004

Budgetary Accounting

The District is required by state statute to adopt a budget prior to the beginning of each fiscal year. The District prepares and reports its budget on a modified accrual basis and its general purpose financial statements on an accrual basis.

Bad Debt and Allowance for Doubtful Accounts

The District does not record bad debt expense or an allowance for doubtful accounts on the delinquent fees. Unpaid fees are certified to the County and liens are attached to the related real estate.

Inventory Valuation

Inventory is stated on a weighted average basis and is valued at the lower of cost or market.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all investment instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

Classification of Revenue

- *Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions such as water sales revenue.
- *Non-operating revenues* – Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34. Examples of non-operating revenues would be property tax revenues, interest income and gain or loss on sale of assets.

Depreciation Methods

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The pressurized irrigation system is being depreciated over 50 years, buildings and building improvements over 5 to 50 years, land improvements over 15 years, and tools and equipment over 2 to 30 years.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements included those assumed in computing property tax revenues and amounts receivable from the Davis County Treasurer for property taxes and water assessments receivable. It is at least reasonably possible that the significant estimates used will change within the next year.

Net Assets

The District's net assets are classified as follows:

- *Invested in capital assets*—This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation. If the District had Debt associated with these assets then the component would be shown as net of the related debt.
- *Unrestricted*—This component of net assets consists of net assets that do not meet the definitions of "invested in capital assets."

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2005 and 2004

Capital Assets

The cost of additions and major replacements to the pressurized irrigation system is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$500. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during fiscal years 2005 and 2004. The cost and accumulated depreciation of property sold and retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2005 and 2004

NOTE 2 – CASH AND INVESTMENTS

Cash

At December 31, 2005 and 2004, the book carrying amounts of the District's deposits were \$1,987 and \$50,960, respectively. The bank balances covered by Federal Depository Insurance at December 31, 2005 and 2004 were \$8,187 and \$54,064, respectively.

Cash Equivalents

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investments and investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 includes insured, or registered with, securities held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered securities held by the counterparty, or its trust department or agent, but not in the District's name. All of the District's investments as of December 31, 2005 and 2004 were in the Utah Public Treasurers' Investment Fund ("PTIF"). The PTIF is an interest-bearing pooled investment fund managed by the Utah State Treasurer. The fair value of the investment is the same as the value of the fund shares. Amounts on deposit may be withdrawn upon demand.

The District's deposits, categorized by risk level, as of December 31, 2005 were as follows:

	Category 1	Carrying Amount	Market Value
Cash in Bank	\$ 1,987	\$ 1,987	\$ 1,987
Total	<u>\$ 1,987</u>		
Petty Cash		100	100
Public Treasures' Investment Fund (uncategorized)		<u>4,404,686</u>	<u>4,404,686</u>
Total		<u>\$ 4,406,773</u>	<u>\$ 4,406,773</u>

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued
For the Years Ended December 31, 2005 and 2004

NOTE 3 – UNCONDITIONAL PURCHASE OBLIGATIONS

Water Purchase Contracts

The District is obligated by six different contracts to purchase a total of 17,500 acre feet of water per year from the Weber Basin Water Conservancy District. The District is obligated to pay the total contract amount regardless of usage. Each contract is for a term of 60 years with the initial contract beginning in the year 1959 and the final contract ending in the year 2036.

Payment on the water contracts is determined by the Weber Basin Water Conservancy District based on various fixed “per acre foot” charges plus variable operating and maintenance costs associated with the water delivery. The District’s total fixed and variable contract obligations were \$392,724 and \$449,907 for the years ended December 31, 2005 and 2004 respectively.

Required fixed payments on all water purchase contracts as of December 31, 2005 are as follows:

Year ended December 31, 2006	\$ 69,000
2007	69,000
2008	69,000
2009	69,000
2010	69,000
Thereafter	1,140,750
Total of required fixed payments	<u>\$ 1,485,750</u>

Reservoir Usage Obligations

The District is obligated through the year 2025 to pay Weber Basin Water Conservancy District annual payments of \$16,555 for the use of eight equalizing reservoirs. The District paid reservoir usage obligation of \$16,555 in each year ended December 31, 2005 and 2004.

NOTE 4 – COMPENSATED ABSENCES

The District’s employee benefits policy allows employees to accumulate benefits for unused vacation and sick leave to be paid upon termination or retirement. The accrued liabilities at December 31, 2005 and 2004 are reflected on the accompanying balance sheets as “accrued compensated absences.”

NOTE 5 – PROPERTY TAX CALENDAR

Lien Date	January 1
District notifies the County of date, time and place of public hearings	March 1
County Auditor sends valuation, certified tax rate, and levy worksheets to District	June 8
District must adopt a proposed tax rate, certify the rate and levy, and submit to the county Auditor	Before June 22
District adopts a final tax rate	June 22
District adopts a final budget	December 15

Copy of budget is submitted to State Auditor within 30 days of adoption.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2005 and 2004

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant, and equipment for the year ended December 31, 2005, are as follows:

	12/31/2004	Increase	Decrease	12/31/2005
Capital assets not depreciated:				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Total capital assets not depreciated	12,000	-	-	12,000
Other capital assets:				
Buildings and improvements	179,549	-	-	179,549
Machinery and equipment	171,264	35,281	(543)	206,002
Transportation and equipment	409,963	98,817	(68,539)	440,241
Furniture and fixtures	59,976	9,745	-	69,721
Pressure irrigation system	5,672,488	188,168	-	5,860,656
Total other capital assets	6,493,240	332,011	(69,082)	6,756,169
Less accumulated depreciation for:				
Buildings and improvements	(126,350)	(3,835)	-	(130,185)
Machinery and equipment	(132,297)	(12,314)	543	(144,068)
Transportation and equipment	(271,784)	(50,581)	68,539	(253,826)
Furniture and fixtures	(14,808)	(6,881)	-	(21,689)
Pressure irrigation system	(3,616,405)	(115,331)	-	(3,731,736)
Total accumulated depreciation	(4,161,644)	(188,942)	69,082	(4,281,504)
Total capital assets, net	\$ 2,343,596	\$ 143,069	\$ -	\$ 2,486,665

The changes in property, plant, and equipment for the year ended December 31, 2004, are as follows:

	12/31/2003	Increase	Decrease	12/31/2004
Capital assets not depreciated:				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Total capital assets not depreciated	12,000	-	-	12,000
Other capital assets:				
Buildings and improvements	179,549	-	-	179,549
Machinery and equipment	164,392	6,872	-	171,264
Transportation and equipment	415,463	39,637	(45,137)	409,963
Furniture and fixtures	52,823	7,153	-	59,976
Pressure irrigation system	5,523,520	148,968	-	5,672,488
Total other capital assets	6,335,747	202,630	(45,137)	6,493,240
Less accumulated depreciation for:				
Buildings and improvements	(122,515)	(3,835)	-	(126,350)
Machinery and equipment	(119,853)	(12,444)	-	(132,297)
Transportation and equipment	(222,970)	(48,814)	29,706	(271,784)
Furniture and fixtures	(38,989)	(5,525)	-	(14,808)
Pressure irrigation system	(3,504,445)	(111,960)	-	(3,616,405)
Total accumulated depreciation	(4,008,772)	(182,578)	29,706	(4,161,644)
Total capital assets, net	\$ 2,338,975	\$ 20,052	\$ (15,431)	\$ 2,343,596

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2005 and 2004

NOTE 7 – LOCAL GOVERNMENTAL – COST SHARING PENSION PLAN

Plan Description

The District contributes to the Local Governmental Noncontributory Retirement System of the Utah Retirement Systems (Noncontributory System) which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement System (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the System, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

They Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

The District also participates in a 457 Deferred Compensation Plan and a 401(k) Defined Contribution Plan. The plan is available to all employees who meet certain age and length of service eligibility requirements. Mandatory contributions to the 401(k) plan were required by Board resolution for certain employees who were employed as of December 31, 1986. Voluntary salary deferred contributions may be made to the 457 plan and to the 401(k) plan by all eligible employees.

Funding Policy

The District is required to contribute a percent of covered salary to the retirement system as long as it has employees meeting membership requirements. The employer contribution rates in effect for the calendar year 2005 for the "local Governmental – Non Contributory System" were 11.090% from January 2005 to December 2005. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49. The contributions were equal to the required contributions for each year.

BOUNTIFUL WATER SUBCONSERVANCY DISTRICT

Notes to the Financial Statements – Continued For the Years Ended December 31, 2005 and 2004

Contributions

The required contributions and amounts paid to the Systems by the District for 2005 calendar year and the two previous calendar years are as follows:

<u>System</u>	<u>Year Ended 12/31</u>	<u>Employee paid Contributions</u>	<u>Employer paid for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Noncontributory System:					
Local Governmental Division					
	2005	\$ -	\$ -	\$ 30,772	\$ 277,477
	2004	-	-	27,746	271,207
	2003	-	-	24,797	276,032
Defined contribution system:					
457 Plan					
	2005	\$ 4,200	\$ 4,502		
	2004	2,250	4,603		
	2003	600	3,283		
401(k) Plan					
	2005	\$ 7,400	\$ 16,213		
	2004	6,000	15,808		
	2003	6,000	15,956		

NOTE 8 – PRIOR PERIOD ADJUSTMENT

In the prior year the District reported pre-paid water, an asset, in the amount of \$81,750 as an expense on the Statement of Revenues, Expenses and Changes in Net Assets. An adjustment was made in the current year to report the pre-paid water on the Statement of Net Assets and reduce the aforementioned expense account. The result of the adjustment is an increase in current assets and a decrease in net loss for 2004 of \$81,750.

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Bountiful Water Subconservancy District
Bountiful, Utah

We have audited the financial statements of Bountiful Water Subconservancy District as of and for the year ended December 31, 2005, and have issued our report thereon dated January 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bountiful Water Subconservancy District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Bountiful Water Subconservancy District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Utah and is not intended to be and should not be used by anyone other than these specified parties.

Baird, Rasmussen & Associates, PC

Baird, Rasmussen & Associates, P.C.
January 27, 2006

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

REPORT ON STATE LEGAL COMPLIANCE

To the Board of Directors
Bountiful Water Subconservancy District
Bountiful, Utah

We have audited the basic financial statements of the Bountiful Water Subconservancy District, as of and for the year ended December 31, 2005, and have issued our report thereon dated January 27, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal compliance Audit Guide, including:

Cash managements	Other General Compliance
Purchasing Requirements	Other Development Fees
Truth in Taxation and Property Tax Limitation	Budgetary Compliance
Special Districts	

The District did not receive any major or non-major State grants during the year ended December 31, 2005.

The management of the Bountiful Water Subconservancy District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *State of Utah Legal Compliance Audit Guide*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion the Bountiful Water Subconservancy District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Baird, Rasmussen & Associates, PC

Baird, Rasmussen & Associates, P.C.
January 27, 2006